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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

August 2, 2002

The Honorable David M. Walker
Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D. C. 20548

Dear Mr. Walker:

The Small Business Act (Section 15(k)) requires that each Federal agency establish an Office of Small and Disadvantaged Business Utilization (OSDBU). This law further mandates that the head of each agency appoint a Director of Small and Disadvantaged Business Utilization who shall be "responsible only to, and report directly to, the head of such agency or to the deputy of such head," with an exception for the Secretary of Defense (15 USC 644(k)(3)).

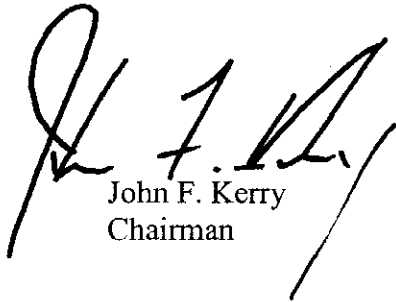
We have become concerned that some Federal agencies may not be in compliance with the Small Business Act. To explore the current status of OSDBUs, we requested information from Federal agencies on the organizational placement and management level reporting of their respective OSDBU. Responses to an inquiry from the Committee on Small Business and Entrepreneurship from many of the agencies raised additional questions for us about whether small business concerns are being addressed at the highest levels, as intended by the Act. We are, therefore, calling upon you to conduct a study to assess the compliance of Federal agencies with Section 15(k) of the Small Business Act. We will provide you with the preliminary information that we obtained from 21 Federal agencies in response to our letters of inquiry, as well as information provided by the OSDBU Council.

In addition to the agencies we queried, we want your opinion as to the law's applicability to the Executive Office of the President and its 11 staff offices, including the Office of Management and Budget. Some sources have the view that the law does not apply to the Executive Office of the President. Nonetheless, it is our understanding that the Executive Office of the President has, until recently, chosen to comply with Section 15(k). Although the law provides an exemption to the Secretary of Defense regarding the reporting level of the OSDBU Director, over time, the Secretary of Defense has required the OSDBU Director to report to progressively lower levels of management within the Department. We would like to see a timeline of this regression in designee level. Finally, we are told that organizing legislation of the Department of Energy may conflict with the Small Business Act concerning placement of OSDBU within that Department. Please provide information about how each of these entities has responded to Section 15(k) since it was enacted.

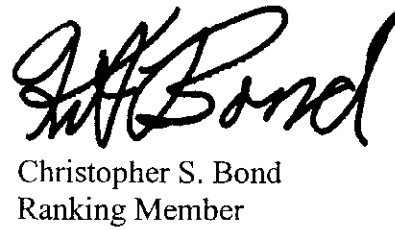
The Honorable David M. Walker
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Please feel free to contact John DaSilva or Marc Comer with Chairman Kerry or Macey Small with Ranking Member Bond at (202) 224-5175 with any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "John F. Kerry".

John F. Kerry
Chairman

A handwritten signature in black ink, appearing to read "Chris Bond".

Christopher S. Bond
Ranking Member